

# **CORRECTED FISCAL MEMORANDUM**

## **SB 2177 – HB 2293**

May 30, 2007

**SUMMARY OF AMENDMENTS (009569, 009574):** Deletes all language of the original bill. Eliminates current requirement that BEP funds earned in the instructional positions component be spent for instructional positions. Subject to funding in appropriations act, phases in increase in State component of the funds generated for instructional positions within the classroom component of the BEP from 65 percent to 75 percent. Sets the dollar value of the BEP instructional positions component at \$38,000. Phases in elimination of the cost differential factor (CDF) from the BEP formula. Phases in 100 percent funding for at-risk students in grades K-12. Phases in funding for ELL students at a ratio of one teacher for every 20 students and translators at a ratio of one for every 200 students. Requires each LEA to receive no less than 25% state share in the non-classroom components. Caps each LEA's increased contribution from fiscal capacity changes in any single year at 40 percent. Requires the formula to provide 50% funding for medical insurance premiums for instructional positions.

FISCAL IMPACT OF ORIGINAL BILL:

MINIMAL

### **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

On May 29, 2007, we issued a fiscal memorandum for this bill as amended with the following estimated fiscal impact:

*Increase State Expenditures*

*Net Impact – \$ 278,575,000 Recurring*  
*\$ 5,385,000 One-Time*

*Increase Local Govt. Revenues –*

*Net Impact - \$ 278,575,000 Recurring*  
*\$ 5,385,000 One-Time*

*Increase Local Govt. Expenditures –*

*Net Impact - \$ 262,298,500\* Recurring*  
*\$ 5,385,000 One-Time*

*The Governor's Budget for FY07-08 and the Administration Amendment to the appropriations bill include the combined amount of \$295,485,000 to implement this bill as amended and other portions of BEP reform (student census growth at a cost of \$27,216,000 and local stability funding of \$7,813,000) that will be implemented under current law.*

*Other Fiscal Impact – Bedford County, Chester County, Cumberland County, DeKalb County, Greene County, Humphreys County, Lewis County, White County, and Alamo City will incur a combined increase in local government expenditures of \$3,310,500 in FY07-08 to meet the increased BEP minimum local match. This amount is included in the net Increased Local Govt. Expenditures above.*

Based on new information received from the Department of Education, the fiscal impact of this bill as amended is estimated as follows:

**(CORRECTED)**

**Increase State Expenditures -**

**FY2007-08**

**Net Impact – \$ 255,071,000 Recurring**

**\$ 5,385,000 One-Time**

**FY2008-09**

**\$ 19,871,000 Recurring**

**Increase Local Govt. Revenues -**

**FY2007-08**

**Net Impact - \$ 255,071,000 Recurring**

**\$ 5,385,000 One-Time**

**FY2008-09**

**\$ 19,871,000 Recurring**

**Increase Local Govt. Expenditures -**

**FY2007-08**

**Net Impact - \$ 258,371,500\* Recurring**

**\$ 5,385,000 One-Time**

**FY2008-09**

**\$ 3,917,000 Recurring**

**The Governor's Budget for FY07-08 and the Administration Amendment to the appropriations bill include the combined amount of \$295,485,000 to implement this bill as amended and other portions of BEP reform (student census growth at a cost of \$27,216,000 and local stability funding of \$7,813,000) that will be implemented under current law.**

**Other Fiscal Impact – Bedford County, Chester County, Cumberland County, DeKalb County, Greene County, Humphreys County, Lewis County, White County, and Alamo City will incur a combined increase in local government expenditures of \$3,310,500 in FY07-08 to meet the increased BEP minimum local match. This amount is included in the net Increased Local Govt. Expenditures above.**

Assumptions applied to amendments:

- State share of instructional positions within the classroom component will increase from 65 to 70 percent in FY07-08 at a State cost of \$135,611,000 when considered separately. (Due to the interrelated fiscal impact of component changes, individual component changes have a higher cost than changes to multiple components considered together. Since this bill makes multiple changes, an adjustment making a reduction reflecting the cumulative impact of the component changes is included below.)
- Teacher salary component will increase from \$36,500 to \$38,000 per position in FY07-08 at a State cost of \$61,375,000 when considered separately. This increase replaces the one percent salary increase and two percent bonus proposed for teachers in the Governor's Budget.
- The State share of funding for at-risk students will increase from 38.5 percent to 100 percent in FY07-08 at a cost of \$119,275,000 when considered separately.
- The ratios for ELL students will be reduced from 1:45 for teachers and 1:450 for translators to 1:30 for teachers and 1:300 for translators in FY07-08 at a State cost of \$14,881,000 when considered separately.
- State will fund a minimum of 25 percent of the non-classroom components of the BEP at a State cost of \$15,324,000 when considered separately.
- State payments to local governments for the CDF will be reduced by 50 percent in FY07-08, reducing State expenditures by \$53,270,000.
- One-time State expenditure of \$5,385,000 to cap at 40 percent increased local costs due to revision of the fiscal capacity model.
- There will be a downward State accounting adjustment of \$38,125,000 to reflect the reduced cost of the cumulative changes as compared to each change considered separately. The recurring increase of State expenditures from this bill as amended, taking this adjustment into account, will be \$255,071,000.
- Most LEAs and special school districts (SSDs) currently exceed the minimum local BEP contribution by a significant margin. For these LEAs and SSDs, the increased State BEP funding will not require new local dollars to meet the local match. The following school systems,

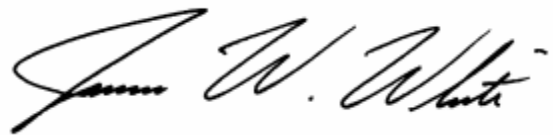
however, do not exceed the minimum by a sufficient margin to avoid a mandatory increase in local expenditures to meet the new match. These systems, and the amount that each will be required to contribute as new funds, are as follows: Bedford County \$381,936; Chester County \$74,018; Cumberland County \$1,063,073; DeKalb County \$223,344; Greene County \$779,433; Humphreys County \$13,153; Lewis County \$153,581; White County \$528,181; and Alamo City \$83,729. In addition, the combined increase to raise funding for medical insurance premiums from 45% to 50% is estimated to be approximately \$10,000. The combined total for these systems is \$3,310,448.

- The cost to provide 50% funding for medical insurance premiums for instructional positions (Amendment #009574) is estimated to be an increase in state expenditures of \$19,871,000 in FY2008-09 and an increase in local government expenditures of \$3,917,000 in FY2008-09. These costs for medical insurance premiums are in addition to all other costs shown in FY2007-08 and assumes such funding will occur in FY2008-09 in accordance with the phase-in provision in Section 3(b) of Amendment #009424.

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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